



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 30, 2002

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*  
Auditor-Controller

**SUBJECT: LITIGATION COSTS**

We recently conducted a compilation of the County's litigation related costs. During the review we found that costs were accounted for in a number of different budget units which made it difficult to accumulate total costs. We also found inconsistencies in the manner in which litigation costs are budgeted and how litigation costs are charged to departments. The attached flowchart shows in general how litigation costs are processed.

Accordingly, we initiated a study to determine how more accurate, consistent, and timely information on attorney costs can be aggregated in the future through changes in budgeting and accounting policies and procedures.

The study will focus on the following areas:

- Litigation costs need to be charged to one budget unit so that information is more readily available. Currently, many of the costs for contract attorneys and judgments and settlements are now accumulated in the Judgments and Damages budget unit, but not others. For example, some litigation costs are budgeted in the Insurance budget or directly paid by departments.
- Litigation costs need to be defined so that information is more accurate and consistent, and specific accounts and sub-accounts need to be established for county-wide use in classifying the different types of litigation costs (general, malpractice, etc.).

- Policy needs to be developed as to how litigation costs are to be charged to departments to ensure departments are budgetarily accountable for their litigation costs.
- Procedures need to be established to eliminate non-County litigation costs (MTA, etc.) from flowing through the County's budgeting and accounting records.

During the study we will doubtless find other areas where policies and budget and accounting practices can be improved.

We plan to finish our study and provide your Board with recommendations to enable adopted changes in budgeting and accounting for litigation and other legal costs to be fully implemented for next fiscal year's budget.

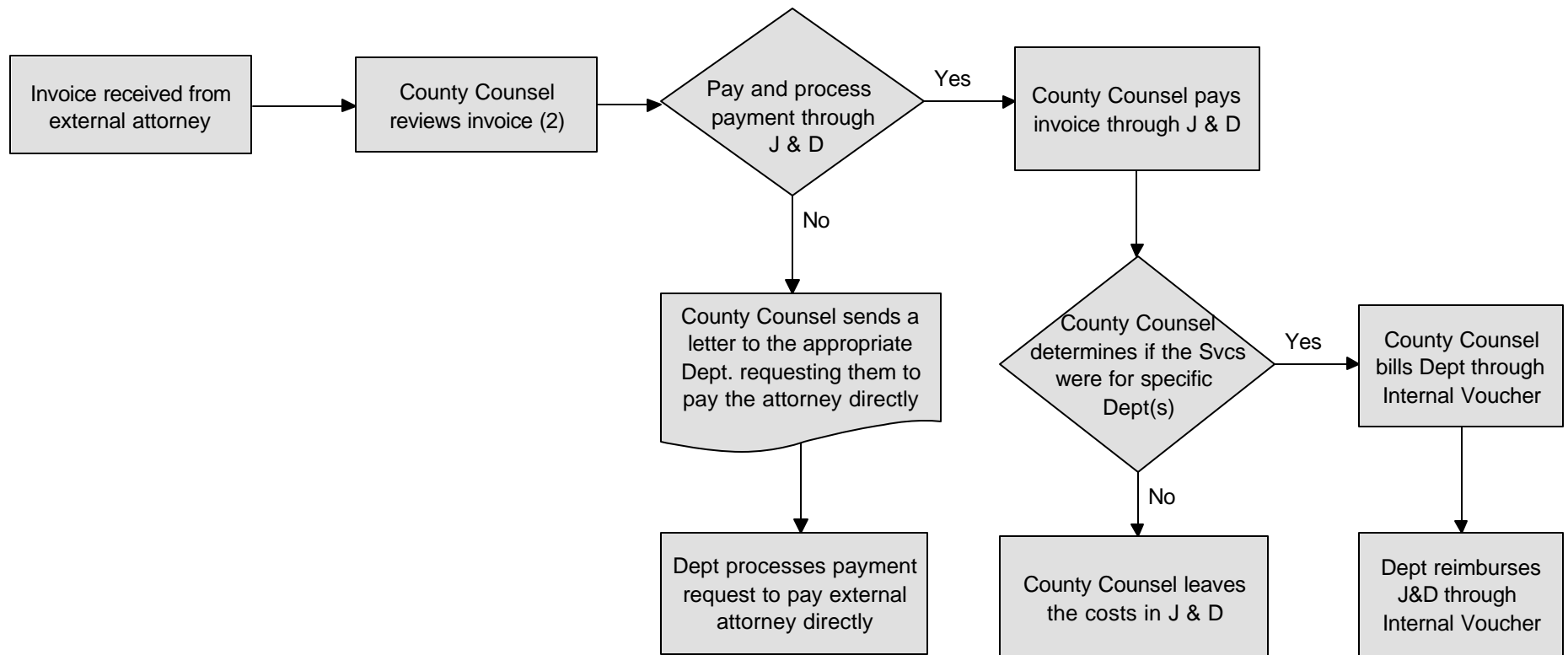
Please call me if you have any questions or your staff may contact Pat McMahon at (213) 974-0729.

JTM:raj

Attachment

c: David E. Janssen, Chief Administrative Officer  
Lloyd W. Pellman, County Counsel

Judgments and Damages Budget  
Unit  
External Attorney Costs and  
Judgments and Damages (1)



(1) This process does not include charges processed through the Insurance budget unit (workers' compensation, medical malpractice, etc.) which follow a similar process except other departments (CAO, DHR, DHS) are involved. A small portion of costs currently are charged directly to departments rather than being processed through either the Judgments and Damages or Insurance budget units.

(2) County Counsel's review process includes three levels of review.